REMARKS

This Amendment is in response to the Office Action mailed April 29, 2005. In the Office Action, the specification and claims 14 and 38 were rejected under 35 U.S.C. §§112(1) and (2) for lack of enablement and indefiniteness.

The subject matter of claims 14 and 38; namely that "the secure computer site is configured to keep an existence of and access to the first letter of credit from the drawee of the draft" is disclosed in the "Summary of the Invention portion of the originally filed specification, at page 10, lines 17-20 and in the "Detailed Description" portion of the specification at page 58, lines 7-17, for example. The Examiner alleges that the seller (drawee) has knowledge of such a letter as the seller relies on Applicant's system to guarantee payment. However, as clearly set out at page 58, lines 7-17:

> **The seller (drawee of the draft) preferably does not view, have access to or knowledge of the iLofC™; rather, the capability of the buyer for payment is evidenced by the buyer's FSP making a payment promise that is contingent on delivery and acceptance of the involved goods (and other factors as agreed between buyer and seller). The seller then has the FSP's promise to pay and may ship the goods accordingly, without even knowing the buyer's identity and his or her creditworthiness (or his or her address, according to the provisions of co-pending and commonly assigned US patent application... (Underlining for emphasis only)**

Indeed, the seller has no knowledge of the letter of credit (iLoftC™) mechanism – and need not have any such knowledge. The use of iLoftC™ is entirely the buyer's decision the seller need not know whether the funds to be transferred will come from the buyer's own account or from the letter of credit that the buyer has arranged through his or her bank, as noted at page 59, line 14-21:

> **If the buyer has opted for the entire payment to seller to be made from the iLofC™ linked to his or her account, the FSP will extend credit to the buyer according to the terms and conditions of the iLofC™ negotiated in step S91 when and if payment is made to the seller of the online transaction, as shown at S95. Indeed, as the FSP will draw from its own funds (and correspondingly extend credit to the buyer), it may be unnecessary for the**

> **FSP to sequester its own funds in anticipation of releasing payment to the seller at some later time. If the buyer has not opted to have the entire payment to be made to the seller to originate from the iLofC™, step S94 may be carried out.**

Reconsideration and withdrawal of the rejections to the specification and to claims 14 and 38, under 35 U.S.C. §§112(1) and (2) are, therefore, respectfully requested.

Claims 1-43, are rejected as being unpatentable over a combination of Abecassis and Ogilvie. Reconsideration and withdrawal of this rejection is respectfully requested.

Ogilvie appears to have been relied upon exclusively for a teaching of authenticating parties to an escrowed transaction. Abecassis does not teach or suggest even the first recited step of claim 1:

> **establishing a secure computer site that includes a representation of the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

Indeed, Abecassis does not teach or suggest the establishment of a secure computer site that includes a representation of the draft - and much less a secure computer site that representation of the draft, as required by claim 1. Abecassis relies upon a deposit center 40 that is accessible by telephone or by a Point of Sale (POS) terminal, as well as credit or deposit cards and /or deposit slips to identify the parties. A limit verification system validates the transaction (See Abecassis, Col. 6 and 7). As taught by Abecassis, the buyer deposits money in an escrow account after the transaction date but prior to the delivery date for the goods purchased by means of a deposit card and a deposit slip. The buyer may access the escrowing means to control the automatic payment of the amounts deposited into the escrow account to the seller.

The Examiner points to the Abstract, Fig. 1A, and to col. 5, line 65 to col. 6, line 35, for a teaching of such a secure computer site. However, no secure computer site is disclosed or suggested by these passages (or by the remainder of the applied reference), and no computer site

is disclosed or suggested in Abecassis to include a representation of the draft. Even a broad interpretation of Abecassis does not support the Examiner's contention that this reference teaches a secure computer site that includes a representation of the draft, and particularly the recitation that the site is "controlled by a financial service provider and accessible only to authenticated parties to the transaction." The combination of Abecassis in view of Ogilvie, therefore, cannot teach or suggest any such establishment of a secure computer site that includes a representation of the draft, whether the parties to an escrowed transaction are authenticated or not.

Claim 1 then continues to recite a step of:

> **creating a first online letter of credit linked to a drawer of the draft and including predetermined terms, satisfaction of the terms being a precondition to the financial service provider extending credit to the drawer;**

The Office points to col. 8, lines 17-40 for a teaching of such creating step. This passage is sufficiently short as to be reproducible here:

> **If the deposit set condition exists, then at step 203, the "delivery-by-date" condition or any other condition suitable to the successful completion of the transaction is identified by the buyer/seller. The delivery date is then tested for validity at step 2031. If the user-entered date of delivery precedes the current date, or if the delivery date exceeds pre-set system tolerances (e.g. longer than 20 years), then a flag is set, and the user is informed of the invalid date entry at step 2032. Entry of a date 203 is then repeated until validity is indicated.**
>
> **As previously noted, date of delivery need not be the only condition set at step 203 or tested at steps 2031, 2032. For example, a user can specify seller performance as a condition, or define performance parameters that have to be met first before purchaser acceptance exists and payment of the escrowed deposit is tendered. The present invention anticipates that any preconditions for a third party transaction can be programmed at step 203 in order to condition later payment. Unlike the delivery-by-date, some preconditions will disable the automatic payment features of the system and require the active participation of the buyer to affect payment of the deposit.**

There is no teaching or even remote suggestion of the creation of an online letter of credit, and much less the creation of a letter of credit according to the claimed step. Indeed, the passage excerpted above merely sets forth a number of conditions (such as delivery date or seller

performance) that must be met for the payment to the seller to be effectuated. Neither this passage nor the remainder of Abecassis teaches or suggests the creation of a letter of credit linked to the drawer of the draft. Therefore, Abecassis in combination with Ogilvie does not teach or suggest the claimed subject matter. At most, the applied combination might suggest that authenticated parties (as taught by Ogilvie) might set conditions that must be satisfied for the payment in the underlying transaction to be effectuated (as taught by Abecassis). However, such does not rise to the level of a teaching or a suggestion of the letter of credit creation step, alone or the claims as a whole.

Claim 1, as amended, further continues:

> **releasing payment on the draft to a drawee of the draft, an optional portion of the released payment originating from the credit extended to the drawer through the created first online letter of credit.**

As the Abecassis/Ogilvie combination has been shown to lack any teaching or suggestion of a letter of credit, the applied combination cannot fairly be said to teach releasing payment of the draft, an optional portion of the released payment originating from the credit extended to the drawer through the created first online letter of credit.

It should be noted that Abecassis appears to be limited to the situation wherein a third party holds the amounts to be transferred between the parties in escrow and releases the funds when the conditions set by the parties to the transaction have been satisfied. It should also be noted that the claimed invention is not limited to the escrow situation that forms the basis of the Abecassis system and that the payment, according to the claimed embodiments, need not be released to an independent third party as they must be in the Abecassis system. According to the present embodiments, the bank or financial institution that controls the claimed secure computer site is the bank of either the buyer or the seller. In this manner, the confidential information of

the parties to the transaction need not be shared with a third escrowing party, as they must be in Abecassis. The parties' bank(s) already have this information and have a fiduciary relationship with their depositors, which relationship imposes a great many restrictions on their behavior and specific duties of confidentiality. The parties' bank(s), therefore, are uniquely placed to carry out the claimed inventions, without involving third escrow parties, as required by Abecassis.

The applied combination of references, therefore, does not teach or suggest the subject matter of claim 1 and that of its dependent claims. Reconsideration and withdrawal of the rejections under 35 U.S.C. §103(a), applied thereto, are, therefore, respectfully requested.

Independent claim 24 also recites a step of:

> **establishing a secure computer site that includes a representation of the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

As discussed in detail relative to claim 1 (with which independent claim 24 shares the first claim step), Abecassis does not teach or suggest the establishment of a secure computer site that includes a representation of the draft and that is controlled by a financial service provider (e.g., a bank). Although Ogilvie may teach authentication of buyer and seller, the applied combination cannot be said to teach or to suggest the establishment of a secure computer site controlled and accessible as claimed herein. Again, none of the passages identified by the Examiner teach or suggest any form of a computer site, whether controlled and accessible as claimed or not. Attention should be directed to the Office's own guidelines on establishing a prima facie case of obviousness:

> **To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the**

> **claimed combination and the reasonable expectation of success must both be found in the prior art and not based on applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). See MPEP § 2143 - § 2143.03 for decisions pertinent to each of these criteria. (Underlining added for emphasis)**

In the present case, not only is a reasonable expectation of success absent, but the combination would utterly fail to teach or to suggest all of the claim limitations, as developed above. At the very least, the combination does not teach or suggest establishing the claimed secure computer site, thus failing the test for obviousness. The Office's interpretation of Abecassis to include a teaching of a secure computer site as claimed when the reference itself is silent on the issue is believed to be untenable. Courts have repeatedly cautioned against unreasonable and unsubstantiated interpretations, as in Autogiro Co. of Am. v. United States, 384 F.2d 391, 397 (Ct. Cl. 1967) in which the Court of claims, (the Federal Circuit's predecessor) stated "The Alice-in-Wonderland view that something means whatever one chooses it to mean makes for enjoyable reading, but bad law."

Claim 24 then continues:

> **creating a first online performance bond, the first online performance bond defining one of first liquidated damages to be paid to a drawer of the draft upon non-performance of the drawee and second liquidated damages to be paid to a drawee of the draft upon non-performance of the drawer;**
>
> **authenticating each party to the draft requesting access to the secure computer site to a satisfaction of the financial service provider, and**
>
> **carrying out one of the steps of:**
>
> **releasing payment on the draft to a drawee of the draft when both drawer and drawee perform;**
>
> **paying the first liquidated damages to the drawer upon non-performance of the drawee or upon occurrence of a first event; and**
>
> **paying the second liquidated damages to the drawee upon non-performance of the drawer or upon occurrence of a second event.**

The Office, in its rejection of claim 24 and its dependent claims, simply asserts that "performance bonds are old and well known." However, the claimed embodiment of Applicant's invention is not simply a performance bond. Instead, the claim recites that each party requesting

access to the established secure computer site is authenticated and the method requires that the payment be released when both parties perform, or that the first or second liquidated damages as defined in the created online performance bond be paid upon the occurrence of first or second events, respectively. The applied combination of references does not teach or suggest the creation of any such computer site that includes a representation of the draft, the creation of an online performance bond or carrying out one of the three listed steps upon occurrence of the specified events, as claimed.

For example, the passage in Abecassis cited in the Office Action as being relevant to the claims, at col. 6, lines 8-35 is reproduced here:

> **The overall function of the deposit protection center 40 is to process inputs provided from the communications equipment 100, verify credit-related information on that equipment, such as a user PIN number, determine the purchaser's deposit limit, debit the deposit account and then process and send payment once there is a determination that the transaction has been successfully completed (i.e. by successful delivery of goods to purchaser).**
>
> **The deposit center can be implemented by one or several computers or other suitable logic devices that are connected to modems to the communications equipment 100 and that include substantial memory capacity. The computer also connects to an escrow source that is adapted to automatically credit and debit designated accounts based upon inputs to the center 40. As previously mentioned, the computer(s) forming center 40 also may interface with electronic credit card systems, such as illustrated in Nagata et al., U.S. Patent No. Re 32,985 which is incorporated herein by reference through the credit management third party linkage 45. In addition, or alternatively, the linkage 45 can integrate center 40 with conventional electronic banking systems, such as that disclosed in Case, U.S. Pat. No. 4,270,042, the disclosure of which also is incorporated herein by reference. Details relating to the operation of center 40 as well as the other hardware elements is provided below in FIGS. 2-5.**

The deposit protection center 40 is never disclosed to include or establish a secure computer site that includes a representation of the draft or that is controlled by the financial service provider, nor is the deposit protection center 40 of Abecassis ever disclosed (in this passage or in the remainder of the reference) to carry out any step of creating an online performance bond or ever carrying out a step of paying first or second liquidated damages

(defined in the created online performance bond), as specifically claimed herein. Reconsideration and withdrawal of the obviousness rejections applied to claims 1-43 are, therefore, respectfully requested.

Applicant believes that this application is now in condition for allowance. If any unresolved issues remain, please contact the undersigned attorney of record at the telephone number indicated below and whatever is necessary to resolve such issues will be done at once.

Respectfully submitted,

Date: July 27, 2005

By: _____
Alan W. Young
Attorney for Applicant
Registration No. 37,970

YOUNG LAW FIRM, P.C.
4370 Alpine Rd., Ste. 106
Portola Valley, CA 94028
Tel.: (650) 851-7210
Fax: (650) 851-7232

\\Ylfserver\ylf\CLIENTS\ORCL\5595\CIP\5595CIP AMEND.1.doc